Province of Nova Scotia
Financial Statements
1988

Nova Scotia

88-06407/

This report presents the Financial Statements of the Province of Nova Scotia for the fiscal year ended March 31, 1988. The complete Public Accounts will be presented to the Legislative Assembly at its next session.

Hon. Greg Kerr,
Minister of Finance

Province of Nova Scotia Financial Statements 1988

Nova Scotia

Province of Nova Scotia

Financial Statements

March 31, 1988

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Province of Nova Scotia

Auditors' Report

The Honourable Greg Kerr,
Minister of Finance,
Province of Nova Scotia,
Halifax, Nova Scotia.

Sir:

We have examined the statement of financial position of the Province of Nova Scotia as at March 31, 1988 and the statements of consolidated fund transactions and of current revenue and expenditure for the year then ended together with notes to the financial statements and the supporting statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Province of Nova Scotia as at March 31, 1988 and the results of its consolidated fund transactions and of its operations for the year then ended in accordance with the accounting policies stated in the notes to the financial statements applied, except for the change with which we concur in the method of accounting for changes in provisions for losses on capital advances and investments as described in Note 2, on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
August 8, 1988

Province of Nova Scotia

Statement of Financial Position

as at March 31, 1988

ASSETS

		1988	1987
		(in thousands)	
Current Assets:			
Cash and short-term investments		$ 271,047	$ 269,631
Accounts receivable		261,280	222,419
Inventories		29,631	28,646
Advances		2,415	2,330
		564,373	523,026
Capital Assets:			
Advances (Note 6)		763,398	799,792
Investments (Notes 4 and 6)		30,924	31,211
		794,322	831,003
		$ 1,358,695	$ 1,354,029

LIABILITIES

Current Liabilities:			
Bank Advances		$ 50,755	$ 41,093
Accounts payable		223,235	212,038
Accrued interest		170,089	175,265
		444,079	428,396
Capital Liabilities:			
Debentures (Note 7)		5,472,492	5,212,385
Less: Sinking Funds		1,171,297	1,102,183
		4,301,195	4,110,202
Other Capital Liabilities (Note 7)	$ 46,289		
Less: Sinking Funds	3,071	43,218	46,263
		4,344,413	4,156,465
Deficiency in net assets of Sydney Steel Corporation (Note 5)		325,806	272,839
		5,114,298	4,857,700
NET DIRECT DEBT			
Net Direct Debt		(3,755,603)	(3,503,671)
		$ 1,358,695	$ 1,354,029
Trust Funds under Administration		$ 1,610,931	$ 1,442,386
Contingent Liabilities (Notes 5 and 9)			

Province of Nova Scotia

Consolidated Fund Transactions

for the fiscal year ended March 31, 1988

	1988	1987
	(in thousands)	
Budgetary Transactions		
Current Account		
Excess of Current Operating Expenditure over Revenue and Recoveries	$ 115,342	$ 181,518
Sinking Fund Instalments and Serial Retirements	86,461	87,342
Net Revenue Deficit	201,803	268,860
Capital Account		
Net Capital Expenditure	219,239	197,590
Advance under the Appropriations Act	41	37
Net Budgetary Transactions	421,083	466,487
Non-Budgetary Transactions		
Capital Expenditure for which no vote is required	2,490	904
Net (Decrease) Increase in Advances and Investments	(18,710)	28,145
Expenditure from Health Services Reserve Account	18	18
Earnings on sinking funds pertaining to borrowings for Nova Scotia Power Corporation credited to their Advances	3,026	2,946
Debt Retirement not chargeable to Current Revenue	4,199	4,241
Non-Budgetary Transactions	(8,977)	36,254
Total Budgetary and Non-Budgetary Transactions	412,106	502,741
Less: Non-Fund Requiring Transactions	20,089	633
	392,017	502,108
Refinancing Transactions	241,050	85,294
Total Consolidated Fund Transactions	$ 633,067	$ 587,402
Funds Provided By:		
Debentures Issued	$ 420,543	$ 373,951
Debentures Issued to provide for Refinancing of Existing Debt	237,586	139,439
Other Capital Liabilities	—	11,498
Disposal of Capital Assets	602	1,618
(Decrease) Increase in non-cash Net Current Liabilities	(33,909)	41,472
Decrease in Net Cash and Short-term Investments and Bank Advances	8,245	19,424
	$ 633,067	$ 587,402

Current Revenue and Expenditure

for the fiscal year ended March 31, 1988

	1988			1987
	Estimate	Forecast (in thousands)	Actual	Actual
Revenue and Recoveries				
Provincial Sources				
Income Taxes	$ 735,552	$ 774,338	$ 779,926	$ 674,628
Sales Taxes	773,950	748,931	757,723	684,449
Interest Revenue	66,562	71,510	73,530	78,166
Liquor Commission	88,100	85,000	84,056	83,452
Transportation and Registry of Motor Vehicles	41,102	42,133	41,346	40,175
Other Provincial Revenue	105,352	105,297	103,633	99,691
Federal Sources				
Equalization	674,000	708,091	702,749	646,804
Established Programs Financing	362,000	364,072	364,075	354,346
Shared Cost Programs	177,458	178,515	176,575	167,712
Other Federal Payments	2,251	2,251	2,251	2,251
Other Recoveries	78,116	77,825	78,595	72,181
	3,104,443	3,157,963	3,164,459	2,903,855
Expenditure				
General Government	85,151	84,249	82,712	105,346
Public Protection	115,245	116,658	116,241	97,465
Transportation and Communication	122,882	127,539	127,369	110,027
Resource Development	159,464	156,384	171,474	147,355
Health	923,593	937,421	937,474	871,302
Social Services	327,131	328,595	332,786	307,525
Education	861,658	856,622	856,265	806,287
Culture and Recreation	29,768	29,772	30,022	29,944
Debt Charges	599,660	577,371	565,842	558,221
Municipal Affairs	65,146	63,507	63,421	59,574
	3,289,698	3,278,118	3,283,606	3,093,046
Excess of Current Operating Expenditure over Revenue and Recoveries before prior years' adjustments	185,255	120,155	119,147	189,191
Prior Years' Adjustments – Federal-Provincial Fiscal Arrangements	—	(533)	3,805	7,673
Excess of Current Operating Expenditure over Revenue and Recoveries (Note 2)	185,255	120,688	115,342	181,518
Sinking Fund Instalments and Serial Retirements (Note 8)	86,377	86,442	86,461	87,342
Net Revenue Deficit	$ 271,632	$ 207,130	$ 201,803	$ 268,860

Capital Expenditure

for the fiscal year ended March 31, 1988

	1988			1987
	Estimate	Forecast	Actual	Actual
		(in thousands)		
Capital Expenditure				
General Government	$ 8,982	$ 5,071	$ 4,413	$ 16,147
Public Protection	8,138	10,846	10,606	4,624
Transportation and Communication	106,766	101,890	99,026	85,648
Resource Development	62,294	67,835	66,094	44,116
Health	41,338	36,291	33,900	37,083
Social Services	462	413	369	158
Education	20,014	17,677	16,830	32,896
Culture and Recreation	3,687	4,462	4,152	1,967
Municipal Affairs	31,827	26,061	25,673	20,337
	283,508	270,546	261,063	242,976
Less: Recoveries	39,338	41,200	39,334	44,482
Net Capital Expenditure	$ 244,170	$ 229,346	$ 221,729	$ 198,494

Note: Capital expenditures consist of budgetary and non-budgetary transactions which for the year ended March 31, 1988 amounted to $219,239,000 and $2,490,000 respectively (1987 - $197,590,000 and $904,000).

Changes in Net Direct Debt

for the fiscal year ended March 31, 1988

	1988	1987
	(in thousands)	
Net Direct Debt — beginning of year	$ 3,503,671	$ 3,235,162
Add:		
Excess of Current Operating Expenditure over Revenue and Recoveries (Statement 3)	115,342	181,518
Less: Non-Fund Requiring Transactions	20,089	633
	95,253	180,885
Net Capital Expenditure (Statement 4)	221,729	198,494
Increase in provision for doubtful capital advances and investments (Note 2)	15,513	4,309
Expenditure from Health Services Reserve Account	18	18
Increase in deficiency of net assets of Sydney Steel Corporation for the fiscal year (Note 5)	52,967	53,961
Discounts on debentures issued	6,656	2,690
Total Additions to Net Direct Debt	392,136	440,357
Deduct:		
Income from sinking funds	108,011	102,356
Decrease in unrealized loss in respect of the translation of foreign currency debt, sinking funds and advances	31,591	66,373
Proceeds of disposal of capital assets	602	1,618
Recovery of capital advances previously written off	—	1,501
Total Deductions from Net Direct Debt	140,204	171,848
Increase in Net Direct Debt for the year	251,932	268,509
Net Direct Debt — end of year	$ 3,755,603	$ 3,503,671

Advances and Investments

as at March 31, 1988

	Advances and Investments	Reserves	Advances and Investments less Reserves 1988	1987
		(in thousands)		
Advances:				
Housing —				
Housing Development Act (net of Canada Mortgage and Housing Corporation and other borrowings of $64,597,000 in 1988 and $68,118,000 in 1987)	$ 125,936	$ 4,648	$ 121,288	$ 121,791
Resource and Industrial Development —				
Agriculture and Rural Credit Act	142,059	7,500	134,559	130,227
Deuterium of Canada Act	113,897	—	113,897	113,897
Fisheries Development Act	59,521	2,634	56,887	56,638
Industrial Development Act	120,289	48,043	72,246	82,388
Industrial Estates Limited Act	69,213	17,691	51,522	61,084
Industrial Loan Act	31,761	4,985	26,776	30,378
Nova Scotia Power Corporation Act	71,192	—	71,192	78,180
Small Business Development Corporation Act	20,264	2,235	18,029	17,103
Venture Corporations Act	13,267	9,150	4,117	5,674
Miscellaneous	875	—	875	733
Other —				
Loans to Municipalities	29,143	—	29,143	33,005
Universities Assistance Act	62,867	—	62,867	68,694
Health Services Tax Act	1,687	1,687	—	
	861,971	98,573	763,398	799,792
Investments:				
Investments transferred to the Province from Nova Scotia Power Corporation to repay the Corporation's indebtedness	1,924	—	1,924	1,744
Investments in Industrial Estates Limited	23,572	2,605	20,967	21,434
Other investments in Provincial agencies and other entities	64,018	55,985	8,033	8,033
	89,514	58,590	30,924	31,211
	$ 951,485	$ 157,163	$ 794,322	$ 831,003

Additional Advances, Investments and Repayments

for the fiscal year ended March 31, 1988

Additional Advances and Investments 1988	1987		Repayments 1988	1987
(in thousands)			(in thousands)	
		Housing —		
$ 52,159	$ 45,039	Housing Development Act	$ 50,781	$ 48,977
		Resource and Industrial Development —		
19,284	15,188	Agriculture and Rural Credit Act	15,529	12,882
—	5	Deuterium of Canada Act	—	—
12,615	8,775	Fisheries Development Act	13,661	17,222
4,839	3,474	Industrial Development Act	7,028	5,786
6,331	10,571	Industrial Estates Limited Act	15,270	12,695
3,670	4,893	Industrial Loan Act	4,600	5,494
180	49,139	Nova Scotia Power Corporation Act	4,488	4,324
4,491	4,963	Small Business Development Corporation Act	3,093	3,518
2,075	2,621	Venture Corporations Act	—	3
41	37	Miscellaneous	356	430
		Other —		
—	—	Loans to Municipalities	3,862	4,150
8,074	5,806	Universities Assistance Act	13,901	6,825
—	—	Health Services Tax Act	23	21
$ 113,759	$ 150,511		$ 132,592	$ 122,327

Province of Nova Scotia

Debentures and Sinking Funds

as at March 31, 1988

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding (in thousands)	Sinking Funds
Payable in Canadian Currency					
Canada Pension Plan Investment Fund (A)					
CP04	June 1, 1969	Feb. 3, 1989	6.66%	$ 29,179	$ 27,521
CP06	May 1, 1970	Feb. 2, 1990	7.51	30,965	26,138
T53	March 3, 1970	March 3, 1990	8.29	3,601	3,066
CP07	July 2, 1971	March 1, 1991	7.79	34,041	25,392
CP08	May 1, 1972	March 1, 1992	7.08	35,715	23,700
CP11	Aug. 1, 1973	March 1, 1993	7.36	38,567	22,401
CP13	Aug. 1, 1974	March 1, 1994	7.53	43,767	22,271
CP14	Aug. 1, 1975	March 10, 1995	8.55	50,910	22,460
CP15	Oct. 1, 1976	March 2, 1996	8.94	57,325	21,700
CP16	Nov. 1, 1977	March 3, 1997	9.00	59,709	19,230
CP18	Nov. 1, 1978	March 1, 1998	9.08	62,852	17,066
CP19	Feb. 1, 1980	March 1, 1999	9.56	68,176	15,149
CP20	Nov. 1, 1980	March 3, 2000	10.59	73,922	13,739
CP21	Oct. 1, 1981	March 2, 2001	12.70	78,277	11,672
CP22	April 1, 1982	March 1, 2002	15.43	96,251	11,826
CP23	June 1, 1983	March 1, 2003	14.67	93,725	8,462
CP24	June 1, 1984	March 1, 2004	11.60	90,597	5,532
CP25	Aug. 1, 1985	Jan. 2, 2005	13.37	85,762	3,435
CP26	April 1, 1986	March 3, 2006	11.48	91,752	1,794
CP27	May 1, 1987	March 2, 2007	9.61	109,641	(A)
T263	April 1,1987	April 1,2007	9.12	10,251	(A)
T264	May 1, 1987	May 1, 2007	9.13	18,239	(A)
T265	June 1, 1987	June 1, 2007	9.88	18,877	(A)
T266	July 2, 1987	July 2, 2007	9.83	7,803	(A)
T267	Aug. 4, 1987	Aug. 4, 2007	9.72	4,551	(A)
T268	Sept. 1, 1987	Sept. 1, 2007	10.42	3,477	(A)
T269	Oct. 1, 1987	Oct. 1, 2007	10.79	3,180	(A)
T270	Nov. 2, 1987	Nov. 2, 2007	11.07	8,657	(A)
T271	March 1, 1988	March 1, 2008	9.62	6,481	(A)
				1,316,250	302,554

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding	Sinking Funds
	Other Issues				
6P	June 15, 1968	June 15, 1988	7.50	$ 15,000	$ 15,000
6R	Oct. 15, 1968	Oct. 15, 1988	7.50	15,000	15,000
7X	May 1, 1980	May 1, 1990	13.75	92,424	4,463
6Y	July 15, 1970	July 15, 1990	9.25	15,000	8,210
7A	March 1, 1971	March 1, 1991	7.25	20,000	15,257
6F	Nov. 1, 1966	Nov. 1, 1991	6.25	15,000	15,000
7C	Dec. 1, 1971	Dec. 1, 1991	7.625	15,000	7,122
6G	Jan. 2, 1967	Jan. 2, 1992	6.50	20,000	14,621
BN	Nov. 1, 1980	Dec. 1, 1988-1993(a)	12.125	208	(B)
8M	Nov. 1, 1983	Nov. 1, 1993	12.00	100,000	10,005
6B	March 1, 1964	March 1, 1994	5.50	7,500	7,500
8R	Feb. 20, 1985	Feb. 20, 1995	11.625	100,000	10,229
7D	Dec. 1, 1971	Dec. 1, 1996	7.625	10,000	5,151
8G	April 15, 1982	April 15, 1997	15.50	100,000	14,105
7Q	Jan. 1, 1979-1988	Jan. 1, 1998	5.50	43,606	(C)
7U	Dec. 21, 1978	Dec. 21, 1998	10.00	50,000	11,257
8Z	March 1, 1988	March 1, 1998	9.875	150,000	(D)
7W	Jan. 4, 1980	Jan. 4, 2000	11.25	75,000	14,051
7K	March 3, 1975	March 3, 2000	9.25	35,000	15,831
7Z	Dec. 29, 1980	Dec. 29, 2000	13.375	85,000	13,148
7S	March 15, 1978	March 15, 1989-2003(a)	9.75	11,250	(B)
7V	March 30, 1979	March 30, 1989-2004(a)	10.50	16,000	(B)
8Q	Dec. 18, 1984	Dec. 18, 2004	12.625	150,000	6,962
7T	Sept. 7, 1978	Sept. 7, 1988-2008(a)	9.75	16,800	(B)
8S	July 3, 1985	July 3, 2009	11.25	150,000	3,451
8U	Dec. 12, 1985	Dec. 12, 2009	10.875	150,000	3,283
				1,457,788	209,646

Series	Date of Issue	Date of Maturity	Rate		Amount Outstanding	Sinking Funds
Payable in United States Currency (E)						
8F	March 15, 1982	March 15, 1989	15.75	(U.S. $ 75,000)	92,558	11,758
8W	June 26, 1986	June 26, 1989	8.00	(U.S. $100,000)	123,410	2,406
8H	Aug. 1, 1982	Aug. 1, 1989	15.25	(U.S. $ 75,000)	92,557	10,877
6C	Dec. 1, 1964	Dec. 1, 1989	4.50	(U.S. $ 2,499)	3,084	546
6E	Jan. 15, 1966	Jan. 15, 1991	5.125	(U.S. $ 1,530)	1,888	183
8N	Feb. 1, 1984	Feb. 1, 1991	11.75	(U.S. $100,000)	123,410	8,859
8D	Nov. 15, 1981	Nov. 15, 1991	15.75	(U.S. $125,000)	154,263	20,325
6H	Feb. 1, 1967	Feb. 1, 1992	5.875	(U.S. $ 40,000)	49,364	49,364
8X	June 1, 1987	June 1,1992	8.875	(U.S. $125,000)	154,262	26,587
6J	July 1, 1967	July 1, 1992	6.25	(U.S. $ 35,000)	43,194	43,194
6K	Oct. 15, 1967	Oct. 15, 1992	6.50	(U.S. $ 35,000)	43,193	43,193
6N	Feb. 1, 1968	Feb. 1, 1993	7.00	(U.S. $ 40,000)	49,364	49,364
6Q	Aug. 1, 1968	Aug. 1, 1993	7.25	(U.S. $ 25,000)	30,853	30,853
6S	Nov. 15, 1968	Nov. 15, 1993	7.25	(U.S. $ 35,000)	43,193	43,193
6T	March 1, 1969	March 1, 1994	7.625	(U.S. $ 30,000)	37,023	37,023
6U	Aug. 1, 1969	Aug. 1, 1994	8.625	(U.S. $ 35,000)	43,194	43,194
6V	Nov. 15, 1969	Nov. 15, 1994	9.00	(U.S. $ 35,000)	43,193	42,819
8Y	Jan. 1, 1988	Jan. 1, 1995	9.625	(U.S. $200,000)	246,820	(D)
6W	March 15, 1970	March 15, 1995	9.75	(U.S. $ 20,000)	24,682	23,678
7P	Dec. 29, 1977	Dec. 29, 1988-1997 (a)	8.875	(U.S. $ 34,100)	42,083	(B)
8K	Feb. 1, 1983	Feb. 1, 1998	11.75	(U.S. $100,000)	123,410	19,572
7L	March 1, 1976	March 1, 2001	9.25	(U.S. $ 60,000)	74,046	33,923
8L	May 15, 1983	May 15, 2013	11.50	(U.S. $150,000)	185,115	9,558
8V	March 15, 1986	March 15, 2016	8.875	(U.S. $150,000)	185,115	3,916
					2,009,274	554,385

Series	Date of Issue	Date of Maturity	Rate		Amount Outstanding	Sinking Funds
Payable in Other Currencies (F)						
8T	Nov. 13, 1985	Nov. 13, 2005	5.50	(SF 200,000)	181,160	2,844
8C	Oct. 31, 1981	Oct. 31, 2011	16.75	(UK£ 30,000)	69,900	2,779
8P	April 18, 1984	April 18, 2019	11.75	(UK£ 60,000)	139,800	1,215
AL	March 18, 1987	March & Sept. 18, 1997 - March 18, 2008 (a)	5.75	(Yen 30,000,000)	298,320	3,012
					689,180	9,850
General Sinking Funds					N/A	94,862
					$5,472,492	$1,171,297

The following is a schedule of debentures maturing in each of the next five fiscal years with related sinking funds. Amounts payable in foreign currencies and related sinking funds invested in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

For the year Ending March 31	Maturing Debentures	Related Sinking Funds
	(in thousands)	
1989	$ 160,517	$ 70,008
1990	259,437	42,489
1991	292,178	62,182
1992	295,981	130,132
1993	335,221	184,739

NOTES:

(a) Serial maturity

(A) Debentures held by the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice when he deems it necessary in order to meet the requirements of the Canada Pension Plan. Amounts are borrowed monthly and consolidated into one debenture annually.

The Province has established sinking funds for retirement of borrowings from the Canada Pension Plan Investment Fund, with annual payments commencing one year after the consolidation of monthly borrowings.

(B) Debenture issues to be retired through annual principal payments during the years indicated.

(C) Issue to be retired from proceeds of a trust established to repay indebtedness to the Province.

(D) Sinking fund payments normally commence on the first anniversary date of the issue of the debentures and are generally designed to retire the debt over a 20 to 25 year period unless the term of the issue is longer. Sinking fund investments consist primarily of debentures of the Province of Nova Scotia and Government of Canada.

(E) Debentures payable in U.S. currency, totalling U.S. $1,628,129,000, and related sinking funds of U.S. $449,222,000 are reflected at the rate of exchange in effect at March 31, 1988.

(F) Canadian dollar equivalent at rates of exchange in effect at March 31, 1988.

Notes to the Financial Statements

March 31, 1988

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

Public Accounts

The Public Accounts of the Province, of which these financial statements are a part, are presented annually to the Legislative Assembly and contain, among other information, the detail of revenue and recoveries, current and capital expenditure, borrowing and investing authorities as well as detailed expenditure by object.

Consolidated Fund

The receipt of public revenues, the disbursement of public funds, the control of expenditures and the keeping and auditing of the accounts of the Province are governed by various Provincial statutes. All receipts and disbursements of public money must flow through the Consolidated Fund of the Province. However, the Consolidated Fund does not include special funds such as trust, pension and sinking funds.

Receipts and disbursements consist of current revenue and expenditure, capital expenditure, recoveries, advances and investments, and other transactions.

Any net cash requirement of the Consolidated Fund is provided by the Province's traditional sources of financing, including internal sources and borrowings in financial markets.

Net Direct Debt

The Province's financial statements are presented so as to highlight net direct debt, a measurement of financial position. Net direct debt consists of the direct liabilities of the Province less its realizable assets. Capital expenditures on assets of a long-term nature such as highways and public buildings are not considered to be realizable assets for purposes of calculating net direct debt.

Transactions affecting net direct debt are summarized in the statement of changes in net direct debt and consist of current operating revenue and expenditure, capital expenditure, earnings on sinking funds, changes in the unrealized loss in respect of the translation of foreign currency debt, sinking funds and advances, discounts on debentures issued, expenditures charged to reserve accounts, and changes in the deficiency in net assets of Sydney Steel Corporation.

Budgetary Process

The budgetary estimates, as approved by the Legislative Assembly, provide the authority for current and capital expenditures and indicate the anticipated revenues and recoveries of the Province for the fiscal year. Authority for current expenditure expires at the end of the fiscal year. Authority for capital expenditure for a fiscal year does not expire until the end of the following fiscal year.

Authority for current and capital expenditures is also provided by special legislation and by order of the Lieutenant Governor in Council under the authority of the Provincial Finance Act.

The Estimates are presented annually to the Legislative Assembly and reflect anticipated revenue and expenditure programs for the fiscal year for which approval is requested.

The Estimates also include a Forecast for the previous fiscal year indicating revisions of revenue and expenditure projections.

Estimate and Forecast figures are reflected in the statements of current revenue and expenditure and of capital expenditure.

Accrual Accounting

The accounts of the Province are kept on the accrual basis, revenues being recorded when earned and expenditures being recorded when the liabilities are incurred, with the following exceptions.

Interest on advances made by the Province is included in revenue only as collected, except where interest is capitalized as part of the cost of land assembly projects for housing programs or pursuant to specific agreements.

Payments from the Federal Government under the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act in respect of Equalization and Established Programs Financing Payments and under the Tax Collection Agreement in respect of Personal and Corporate Income Taxes are subject to adjustment in future years. Adjustment payments are reflected separately under "Prior Years' Adjustments – Federal-Provincial Fiscal Arrangements."

Crown Corporations and Agencies

Profits and losses of corporations and agencies owned or controlled by the Province, with the exception of the Nova Scotia Liquor Commission, are reflected in the revenues and expenditures of the Province only to the extent of any operating grants made by the Province. Operating grants are normally reflected as current expenditure. Profits of the Nova Scotia Liquor Commission are included in current revenue of the Province. The Province provides for the deficiency in the net assets of Sydney Steel Corporation in the calculation of net direct debt.

Net Revenue Surplus (Deficit), Special Reserve and Health Services Reserve Accounts

The annual net revenue surplus (deficit) consists of current revenue and recoveries, excluding sinking fund earnings, less current operating expenditure, and annual sinking fund instalments and serial retirements in respect of capital liabilities.

Pursuant to the Provincial Finance Act, the net revenue surplus in any year may be transferred to special reserve account. The Health Services Tax Act provides that the Minister of Finance may pay out of the Consolidated Fund of the Province such sums as are deemed necessary to establish the health services reserve account. Amounts in these accounts and funds created therefrom may be used for the various purposes defined under the Acts (See Note 3).

Capital Expenditure

Expenditures resulting in the construction or acquisition of assets which are expected to have a useful life in excess of five years are charged to capital in the Province's accounts. Capital account appropriations also include certain expenditures on assets of a long-term nature to which title may vest with entities other than the Provincial Government (such as hospitals or municipalities), but which are considered to be for the benefit of the general populace of the Province. In addition, capital account appropriations include the present value of long-term leases under which the Province assumes substantially all of the benefits and risks of ownership related to the leased property. Capital expenditures are not considered to be realizable assets for purposes of calculating net direct debt.

Capital Advances and Investments

Capital advances and investments, including those to or on behalf of corporations and agencies owned or controlled by the Province, are made under the authority and limitations of various Provincial statutes. Capital advances and investments are reflected in the financial statements net of losses and provisions for losses, which during the 1987-88 fiscal year, are established as required through charges to current revenue and expenditure (previously such amounts were charged directly to Net Direct Debt).

Accounts Receivable and Current Advances

Accounts receivable and current advances are reflected in the financial statements net of provisions for losses or uncollectible amounts, which are established as required through charges to current revenue and expenditure.

Inventories

Inventories consist mainly of goods for resale and machinery repair parts, gravel, lumber and other materials relating to the upkeep of highways. Inventories also include selected operating supplies, which are used mainly by Provincially operated hospitals, hotels and educational institutions. Inventories are stated at the lower of cost and net realizable value.

Debentures and Sinking Funds

The Province's debentures payable in foreign currencies, accrued interest thereon, and related sinking funds invested in foreign currencies, are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. Foreign exchange rate adjustments arising from sinking fund instalments and serial retirement payments and from the payment of interest are reflected in current expenditure at rates in effect at the date of the transaction.

The Province operates sinking funds for the purpose of retiring debentures and Government of Canada Loans. These sinking funds are reflected in the statement of financial position at cost adjusted for the amortization of premiums and discounts on investments.

Pursuant to the Provincial Finance Act, sinking fund instalments and serial retirements of capital liabilities are treated as a current expenditure in the calculation of net revenue surplus (deficit).

Earnings on sinking funds are not reflected as current account revenue.

Foreign Currency Translation — Unrealized Losses and Gains

Capital advances and debentures denominated in foreign currencies, together with related sinking funds, are translated into the Canadian dollar equivalent at rates prevailing at the date of the financial statements.

The unrealized foreign currency gains or losses on debentures, net of related sinking funds and advances, are amortized over the terms of the respective debenture issues by charges or credits to current expenditure.

Discounts on Debentures

Discounts and underwriting commissions related to the issuance of debentures are amortized over the terms of the related debenture issues by annual charges to current expenditure. Unamortized discounts at March 31, 1988 amounted to $40,291,000 (1987 — $38,747,000).

2. CHANGE IN ACCOUNTING POLICY

Effective with the year ended March 31, 1988, changes in the provision for losses on capital advances and investments are charged against or credited to current expenditure; previously, changes in the provisions for losses on capital advances and investments were charged directly to Net Direct Debt.

The net effect of this change has been to increase the net revenue deficit for the year ended March 31, 1988 by $15,494,000 (for the year ended March 31, 1987, the amount charged to Net Direct Debt was $4,355,000).

3. SPECIAL RESERVE AND HEALTH SERVICES RESERVE ACCOUNTS

Pursuant to authority granted by the Lieutenant Governor in Council, expenditures may be made from funds created from special reserve account and health services reserve account rather than being reflected in the calculation of the net revenue surplus (deficit) or as capital expenditures. Expenditures from these accounts amounted to $18,000 for the fiscal year ended March 31, 1988 (1987 — $18,000).

The unexpended balances of these accounts at March 31, 1988, which form part of the Consolidated Fund, amounted to $8,144,000 (1987 - $8,181,000) of which $2,160,000 (1987 - $2,531,000) had been authorized to be advanced or expended and $5,984,000 (1987 - $5,650,000) represented unappropriated balances of the accounts.

4. INVESTMENTS

At March 31, 1988, investments included $20,959,000 (1987 - $21,425,000), net of an allowance for uncollectible amounts of $2,605,000 (1987 - $2,605,000) of redeemable preference shares of Industrial Estates Limited ("IEL") purchased by the Province, of which $20,759,000 (1987 - $20,226,000) is in respect of expenditures by IEL for the development of industrial parks. The shares issued in respect of the development of industrial parks are redeemable from the proceeds of the sale of industrial park lands. During the year, the Province purchased $533,000 (1987 - $1,419,000) of additional preference shares representing additional expenditures on industrial parks of $3,309,000 (1987 - $2,710,000) less sales and depreciation of $2,776,000 (1987 - $1,291,000). During the year $1,000,000 of Class "A" preference shares were redeemed by IEL.

At March 31, 1988, investments also included $5,000,000 (1987 - $5,000,000) of redeemable non-voting preferred shares of National Sea Products Limited.

5. SYDNEY STEEL CORPORATION (SYSCO)

Sydney Steel Corporation, a Provincial Crown corporation established by an Act of the Legislature, operates a steel mill at Sydney.

To March 31, 1988, the Province had made cumulative operating grants to Sysco totalling $189,722,000 (including operating grants of $5,747,000 for the fiscal year ended March 31, 1988 [1987 - $6,466,000]), converted $52,332,000 of advances to Sysco to equity, made $92,434,000 in equity contributions for debt retirement, and contributed $154,134,000 in respect of capital expenditure programs of which approximately $113,715,000 has been recovered from the Federal Government. Annual operating grants are reflected as current expenditure and equity contributions as capital expenditure in the Province's financial statements.

At March 31, 1988, the Province had given guarantees in respect of Sysco as follows:

	(in thousands)
- Guaranteed lines of credit (maximum of $538,000,000)	$481,227
- U.S. $13,525,000 of debentures	16,691 (1)
- Performance bonds and letters of credit (of a $10,000,000 guaranteed line of credit)	7,750
	$505,668

(1) Canadian dollar equivalent at the rate of exchange in effect at March 31, 1988.

To March 31, 1988, the Province had reflected $325,806,000 in the calculation of net direct debt in respect of the deficiency in Sysco's net assets. The deficiency represents the amount by which Sysco's liabilities, the majority of which are guaranteed by the Province, exceed the book value of Sysco's assets after deducting accumulated depreciation. During the fiscal year ended March 31, 1988, the Province recorded a net increase of $52,967,000 in the calculation of net direct debt in respect of the change in Sysco's net assets during the year, calculated as follows:

	(in thousands)
- Net loss of Sysco for the year after adjusting for transfer of $946,000 from appraisal surplus in respect of depreciation charges	$84,594
- Less: Equity contributions by Province to Sysco for debt retirement ($6,875,000) and capital construction ($24,752,000)	31,627
	$52,967

The ability of Sysco to continue as a viable operation is dependent on the continued financial support of the Province and on an improved level of operating results. It is not possible to determine at present the extent of any losses that may be incurred by the Province on its equity contributions to Sysco and on its guarantees of Sysco's indebtedness.

6. DEUTERIUM OF CANADA LIMITED (DEUTERIUM)

On February 9, 1978, an agreement was signed for the sale of the facilities of Deuterium and its subsidiaries to Atomic Energy of Canada Limited (AECL), the Federal Government corporation responsible for Canada's nuclear program. The purchase price is being paid in quarterly instalments over 20 years, which commenced April 1, 1978, amounting to $3,300,000 per year. Title to the facilities will pass upon payment of the final instalment.

The instalments are being paid by AECL to a trustee, which is obligated to invest the funds and the earnings thereon in debentures of the Province yielding 5.5% to maturity. These investments amounted to $43,606,000 at March 31, 1988. At the date of the final payment, January 1, 1998, the fund will total $118,900,000 and will be used to repay the Province's advances to and investment in Deuterium.

At March 31, 1988, advances to and investment in Deuterium amounted to $113,897,000 and $3,025,000, respectively. Since March 31, 1970, the Province has waived interest on its advances to Deuterium.

7. DEBENTURES AND OTHER CAPITAL LIABILITIES

Debentures

Debentures payable in foreign currencies and related sinking funds invested in foreign currencies are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. (See Statement of Debentures and Sinking Funds for details).

Other Capital Liabilities

Other capital liabilities as at March 31, 1988 and 1987 consist of the following:

	1988	1987
	(in thousands)	
Government of Canada Loans	$35,006	$38,872
Less: Sinking Funds	3,071	3,958
	31,935	34,914
Obligation under Capital Lease	11,283	11,349
	$43,218	$46,263

Government of Canada loans include funds provided in respect of municipal projects under federally sponsored programs which the Province in turn advanced to municipalities under similar terms and conditions. These advances amounted to $16,267,000 at March 31, 1988 (1987 - $18,201,000). The balance of the loans from the Government of Canada were provided to fund provincially sponsored projects. These loans bear interest at rates ranging from 7.03% to 9.57% and mature from March 31, 1993 to March 31, 2003, with $2,974,000 payable within the next fiscal year.

The capital lease, which expires June 1, 2011, was recorded using an assumed discount rate of 10.5%. Annual lease payments of $1,254,000 are required to May 1, 1996 followed by annual payments of $1,379,000 from June 1, 1996 to May 1, 2011 inclusive. At the assumed 10.5% discount rate, $451,000 of the principal balance will be amortized over the next five years.

8. DEBT CHARGES AND SINKING FUNDS

Debt Charges

Debt Charges for the years ended March 31, 1988 and 1987 are summarized below:

	1988	1987
	(in thousands)	
Interest on outstanding debentures	$553,730	$545,923
Amortization of discounts on debentures	5,113	4,463
Interest on short-term borrowings	3,574	2,552
Foreign exchange costs realized	3,836	10,414
Amortization of unrealized foreign exchange costs	(3,008)	(6,781)
Other financing charges and costs	2,597	1,650
	$565,842	$558,221

Sinking Funds

Sinking funds consist primarily of debentures of the Province of Nova Scotia and the Government of Canada. Sinking funds for debentures payable in U.S. currency are invested in U.S. funds. Where feasible, sinking funds for debentures payable in other currencies are invested in the currency of the issue, with the balance invested in Canadian funds.

Sinking fund instalments and serial retirements and other amounts charged to current revenue during the fiscal year ended March 31, 1988 amounted to $90,659,000 of which $37,164,000 represented required payments for the fiscal year. Sinking fund instalments and serial retirements are reflected in the calculation of net revenue deficit net of amounts totalling $4,199,000 pertaining to borrowings of certain Crown corporations and Government of Canada loans on behalf of municipalities.

9. CONTINGENT LIABILITIES

The Province acts as a guarantor of debt issued by Crown corporations, agencies, and various other entities under authorities provided by Provincial statutes. At March 31, 1988, outstanding bank loans, bonds, debentures, etc. directly guaranteed by the Province totalled $2,321,690,000 as summarized below:

	(in thousands)
Nova Scotia Power Corporation	$1,252,838
Sydney Steel Corporation (See Note 5)	497,918
Nova Scotia Municipal Finance Corporation	266,193
Halifax-Dartmouth Bridge Commission	144,218
Nova Scotia Resources Limited	110,169
Industrial Development Act	25,953
Trade Centre Limited	18,000
Other	6,401
	$2,321,690

The Province is also contingently liable, pursuant to an agreement between the Government of Canada and the Province entered into under the Atlantic Provinces Power Development Act, for the repayment by the Nova Scotia Power Corporation of long-term notes payable to the Government of Canada amounting to $41,542,000 at March 31, 1988. The Province has also guaranteed contractual obligations of the Nova Scotia Power Corporation amounting to $6,612,000 at March 31, 1988.

At March 31, 1988, the Province had also guaranteed performance bonds and letters of credit totalling $7,750,000 for Sydney Steel Corporation and had issued other performance guarantees totalling $2,000,000 pursuant to the Industrial Development Act.

10. CANADA-NOVA SCOTIA (OFFSHORE) DEVELOPMENT FUND

The Canada-Nova Scotia Oil and Gas Agreement Act established a $200,000,000 Development Fund to support expenditures incurred by the Province that relate to offshore development. The Act and Agreements pursuant thereto provide that the Government of Canada may disburse up to $50,000,000 annually to the Province for the four years beginning in the 1984-85 fiscal year. Funds may be paid to the Province pursuant to the approval of projects by the Federal Minister of Energy, Mines and Resources. Funds not disbursed in one fiscal year may be carried forward and disbursed in subsequent fiscal years.

In August 1986 the Governments of Nova Scotia and Canada signed the Canada-Nova Scotia Offshore Petroleum Resources Accord which supersedes the 1982 Canada-Nova Scotia Agreement. Among other things, the Accord affirms the Government of Canada's commitment to provide the Province with a $200,000,000 Development Fund and amended the previous agreement to waive repayment of such amount.

During the 1987-88 fiscal year, $23,245,000 of capital expenditure, $334,000 of capital advances and $1,329,000 current expenditure incurred by the Province were charged to the Canada-Nova Scotia (Offshore) Development Fund. The total expenditures charged to the Fund to March 31, 1988 amounted to $115,685,000.

11. COMMITMENTS

The Province was obligated to the extent of approximately $82,039,000 for construction contracts entered into on or before March 31, 1988 and not completed at that date, of which $31,262,000 is in respect of projects being funded by other agencies or the Federal Government.

The Province also has a statutory requirement to make payments to municipalities and school boards to service debt incurred with respect to the construction, alteration and improvements to school buildings or acquiring land therefor. At March 31, 1988, outstanding debt of the municipalities and school boards for these purposes was $152,839,000, of which $47,884,000 was provided through the Provincially guaranteed borrowings of the Nova Scotia Municipal Finance Corporation. Annual principal and interest payments to service this debt for the years ending March 31, 1989 to 1993 are $38,777,000, $36,653,000, $35,023,000, $31,052,000 and $26,115,000, respectively.

12. PUBLIC SERVICE SUPERANNUATION FUND

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The operation of the plan is generally conducted within the Public Service Superannuation Fund to which employee and matching employer contributions and investment income are credited and payments to pensioners and terminating employees are charged. The Public Service Superannuation Fund is invested in federal, provincial, municipal and corporate securities and mortgages eligible for investment under the Provincial Finance Act.

The Public Service Superannuation Fund is not part of the Consolidated Fund of the Province. However, Provincial legislation and regulations provide that certain payments to pensioners are charged to the Consolidated Fund of the Province rather than to the Public Service Superannuation Fund. Such payments for the fiscal year ended March 31, 1988 amounted to $2,389,000 (1987 - $2,168,000) or 6.0% of the total benefits paid. In addition, payments must be made by the Province out of its Consolidated Fund if the Public Service Superannuation Fund is insufficient to provide for pension payments as they become due.

The plan is funded by employee contributions of 7% of salary and equal contributions by the Province and participating agencies. During the fiscal year ended March 31, 1988, matching employer contributions of the Province and participating agencies totalled $20,644,000 and $7,032,000, respectively; employee and employer contributions for the year totalled $55,352,000.

Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year for which contributions were made. Benefits paid are integrated with Canada Pension Plan benefits. Employees and the Province contribute at a reduced rate (5.4%) and receive a reduced pension (1.3%) in respect of earnings eligible for Canada Pension Plan benefits. Pension payments are increased annually (January 1) by the lesser of the increase in the Consumer Price Index or 6%.

At March 31, 1988, the book value of the Public Service Superannuation Fund amounted to $840,278,000 (1987 - $743,355,000). Fund assets are valued at cost adjusted for the amortization of discounts and premiums, with the exception of equity investments which are valued at cost. The market value of assets at March 31, 1988 was $40,028,000 (1987 - $94,285,000) in excess of the book value.

Actuarial valuations of the Public Service Superannuation Fund are carried out periodically and provide an estimate of fund liabilities at a point in time, calculated on the basis of various assumptions with respect to pension plan costs and rates of return on investments. The latest report on the actuarial valuation of the Public Service Superannuation Fund was based on information as of March 31, 1987.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and projected average salaries for the five highest years at the date of retirement. The assumptions used in the actuarial valuation at March 31, 1987 include a 4.5% inflation rate, 0.5% real average salary increase and a 4.5% real rate of return on investments. The actuarial valuation, adjusted to reflect subsequent changes to the Pension Plan, indicates that at March 31, 1987, the Fund had actuarial liabilities with a present value of $994,469,000, assets valued for actuarial purposes at $753,889,000 and an unfunded actuarial liability of $240,580,000. Approximately 88% of employee and employer contributions are required to meet current service costs; the remaining 12% is available for funding of past service costs.

This brochure and other Financial Publications may be obtained by writing to:

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